

HB-6372

*AN ACT EXEMPTING FROM EXECUTION CERTAIN FUNDS IN A JUDGMENT
DEBTOR'S ACCOUNT.*

TESTIMONY IN OPPOSITION TO HB-6372

TO: **BANKING COMMITTEE**
FROM: **SIKORSKY FINANCIAL CREDIT UNION, INC.**
A State Chartered Credit Union
Diana Pfeiffer, Vice President of Loan Servicing/Collections
DATE: February 9, 2021

I am Diana Pfeiffer, Vice President of Loan Servicing / Collections of Sikorsky Financial Credit Union and I wish to thank the members of this Committee for the opportunity to testify today in **opposition to H.B. No. 5427**. I have had the opportunity in the past to testify before this Committee and have always appreciated their openness and thoughtful consideration of the points raised by all stakeholders in this space.

To provide a brief background on Sikorsky Financial Credit Union, we are **a member owned, not-for-profit, financial cooperative** regulated by the Connecticut Department of Banking. Today, we are one of the largest credit unions in Connecticut, with over 50,000 members, and more than \$700 million in assets. Our management structure comprises our volunteer Board of Directors, plus our Supervisory Committee, who expertly guide our credit union in serving our members. Not only is our credit union a member of the Connecticut community but the overwhelming majority of our members are also your neighbors, friends, and relatives who live right here in Connecticut.

At Sikorsky “**we are committed to act in the best interest of our membership.**” This is our stated mission and drives everything we do.

In order to fulfill our stated mission we are always balancing the rights of the individual member and our overall membership field. When we have a defaulted loan we make every effort to work with our Members to resolve the matter. However, there are instances when these efforts fail and our need to protect the larger membership population leads us to make the difficult choice to litigate. **Under the Credit Union structure defaulted accounts ultimately become a shared burden to be shouldered by the other members of the credit union.**

I provide this background to demonstrate that like this Committee I understand the incredibly difficult task of striking a fair and equitable balance in difficult situations. This Legislative Body has always been deliberative and thoughtful in its approach to balancing the positions between creditor and debtor and I believe the proposed changes of this Bill would disrupt that balance leading to multiple unintended consequences.

Since June of 2009 the application fee for a bank garnishment has increased 300.00%. This incredibly rapid increase in the cost of a garnishment application has led us to be very judicious in our use of this post judgment remedy and it is basically our remedy of

last resort. Using our sample from July 2018 through the end of 2019, sixty-six percent of accounts did not recover any funds because of the operation of existing exemption laws. Of the accounts where funds were recovered, 62.5% of the people filed for claims of exemption. I believe these figures demonstrate the **effectiveness of the current framework** and the balance the legislature has struck. We therefore oppose the proposed legislation which would drastically alter this well established balance between the Credit Union and those who owe it judgment debts.

Additionally, this proposed bill puts an **undue operational burden** and **significant risk** on the Credit Union as it relates to the direct deposit wages in the look back period. As you will see below, unlike the Judgment Debtor's employer who has all of the information necessary to make the statutory calculations of the amounts due on a wage garnishment the Credit Union only sees a net deposit amount from a potential employer. The **Credit Union would have a statutory obligation imposed** on it whereby they would at best be **guessing and doing their best** to calculate weekly earnings for a 2 week period. As you can see, we simply do not have the information necessary to comply.

Section I. Calculation Of Employee's Disposable Earnings

"Disposable Earnings" means that part of the earnings of an individual remaining after the deduction from those earnings of amounts to be withheld for payment of federal income and employment taxes, normal retirement contributions, union dues and initiation fees, group life insurance premiums, health insurance premiums, and federal tax levies.

1. Employee's gross compensation per week.....	_____
2. Federal income tax withheld	_____
3. Federal employment tax.....	_____
4. Normal retirement contribution	_____
5. Union dues and initiation fees	_____
6. Group life insurance premium	_____
7. Health insurance premium.....	_____
8. Other federal tax levies	_____
9. Total allowable deductions (Add lines 2-8)	_____
10. Weekly Disposable Earnings (Subtract line 9 from line 1).....	<div style="border: 1px solid black; width: 100px; height: 20px;"></div>

Section II. Calculation Of Employee's Disposable Earnings

<i>To be calculated by employer</i>	Column 1	Column 2
A-1. Weekly disposable earnings (from line 10 above)	\$	
A-2. 25% of disposable earnings for week		\$
B-1. Weekly disposable earnings (from line 10 above)	\$	
B-2. Forty times the higher of the current federal minimum hourly wage or state full minimum fair wage.	\$	
Amount by which line B-1 exceeds B-2		\$
Amount of Execution (Employer must pay the lesser of the two amounts in column 2 unless the court ordered limitation set forth below is a lesser amount, in which case the employer must pay that lesser amount)		\$

CONCLUSION

The proposed changes would have both a **significant impact** and **unintended consequences** on Credit Unions. The inability to recover our just judgment debts, as well as the significant risk created by a statutory obligation with which we can not

comply, is likely to **impact our future ability to offer products and services to our over 50,000 members**. I believe that this impact is not just felt by the local Credit Union community, I am sure that businesses of all sizes in Connecticut will feel an impact directly or indirectly.

In this time of economic uncertainty in our great State, I believe that this Legislature has already struck a proper and thoughtful balance between the rights of the debtor and creditor and therefore urge the Committee not to make these unnecessary statutory amendments. Thank you for your time and consideration.